



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MERCER COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles H. McGinnis, Mercer County Judge/Executive

Members of the Mercer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Mercer County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Mercer County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Mercer County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Mercer County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Charles H. McGinnis, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Mercer County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2000 on our consideration of Mercer County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 10, 2000

MERCER COUNTY OFFICIALS

June 30, 1999

Charles McGinnis	County Judge/Executive
Douglas Greenburg	County Attorney
Larry Short	County Clerk
Rose Bishop	Circuit Court Clerk
Ralph Anderson	Sheriff
Cleo W. Baker, Jr.	Jailer
Neila Monroe	Property Valuation Administrator
GayleHorn	County Treasurer
Larry G. Sanders	Coroner
James William Waggener	Magistrate
J.B. Claunch	Magistrate
Charles Hurst	Magistrate
Wayne Jackson	Magistrate
Wayne Russell	Magistrate
Larry Peyton	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MERCER COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 413,803
Investments	200,000

Road and Bridge Fund:

Cash	643,802
Investments	110,000

Jail Fund:

Cash	42,244
Investments	345,851

Local Government Economic Assistance Fund:

Cash	66,486
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Landfill Fund:

Cash	148,065
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Occupational License and Net Profit Tax Fund:

Cash	716,387
Investments	416,950

Payroll Account:

Cash	2,328
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Other Resources

General Fund:

Amounts to be Provided in Future Years for Kentucky	
Association of Counties Leasing Trust Agreement - Principal	276,000

Total Assets and Other Resources	\$ 3,381,916
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The accompanying notes are an integral part of the financial statements.

MERCER COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund - Kentucky Association of Counties

Leasing Trust Agreement - Principal (Note 4)

\$ 276,000

Payroll Account

2,328

Fund Balances

Reserved:

Landfill Fund

148,065

Unreserved:

General Fund

613,803

Road and Bridge Fund

753,802

Jail Fund

388,095

Local Government Economic Assistance Fund

66,486

Occupational License and Net Profit Tax Fund

1,133,337

Total Liabilities and Fund Balances

\$ 3,381,916

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MERCER COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,025,791	\$ 1,300,234	\$ 840,573	\$ 93,185
Transfers In	<u>1,678,002</u>	<u>733,002</u>	<u>550,000</u>	<u>295,000</u>
Total Cash Receipts	<u>\$ 5,703,793</u>	<u>\$ 2,033,236</u>	<u>\$ 1,390,573</u>	<u>\$ 388,185</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,195,632	\$ 1,540,578	\$ 1,060,582	\$ 344,477
Transfers Out	1,678,002	295,000	33,002	
Kentucky Association of Counties Leasing Trust - Principal Payment	<u>61,000</u>	<u>61,000</u>		
Total Cash Disbursements	<u>\$ 4,934,634</u>	<u>\$ 1,896,578</u>	<u>\$ 1,093,584</u>	<u>\$ 344,477</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 769,159	\$ 136,658	\$ 296,989	\$ 43,708
Cash Balance - July 1, 1998*	<u>2,334,429</u>	<u>477,145</u>	<u>456,813</u>	<u>344,387</u>
Cash Balance - June 30, 1999*	<u><u>\$ 3,103,588</u></u>	<u><u>\$ 613,803</u></u>	<u><u>\$ 753,802</u></u>	<u><u>\$ 388,095</u></u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

MERCER COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Landfill Fund	Occupational License and Net Profit Tax Fund	CDBG Microenterprise Project Fund
\$ 41,491	\$ 45,638 100,000	\$ 1,662,049	\$ 42,621
\$ 41,491	\$ 145,638	\$ 1,662,049	\$ 42,621
\$ 22,390	\$ 135,863	\$ 46,892 1,350,000	\$ 44,850
\$ 22,390	\$ 135,863	\$ 1,396,892	\$ 44,850
\$ 19,101 47,385	\$ 9,775 138,290	\$ 265,157 868,180	\$ (2,229) 2,229
\$ 66,486	\$ 148,065	\$ 1,133,337	\$ 0

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Mercer County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Mercer County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 1999, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond. However, as of July 20, 1998, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$275,000 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. Deposits (continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of July 20, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 1,399,183
Uncollateralized and uninsured	<u>275,000</u>
Total	<u><u>\$ 1,674,183</u></u>

Note 4. Capital Lease-Purchase Agreements

On April 3, 1996, the Mercer County Fiscal Court entered into a 7-year leasing agreement with KACo Leasing Trust for the Mercer County Health Department. Principal payments are due annually by January 20.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1/20/2000	\$ 14,895	\$ 64,000
1/20/2001	10,997	67,000
1/20/2002	6,920	70,000
1/20/2003	<u>2,614</u>	<u>75,000</u>
Totals	<u><u>\$ 35,426</u></u>	<u><u>\$ 276,000</u></u>

Note 5. Mercer County Public Health Taxing District Sublease Agreement

On April 3, 1996, the Mercer County Fiscal Court entered into a 7-year leasing agreement with KACo Leasing Trust for the Mercer County Health Department. On that same date, the Mercer County Fiscal Court and the Mercer County Public Health Taxing District entered into a sublease which stated the Mercer County Public Health Taxing District will reimburse the county all rental payments as set out in the county's KACo Leasing Trust agreement. Fiscal year 1998-99 payments were received by Mercer County on August 20, 1999.

Note 6. Interlocal Cooperation Agreement

Mercer County has entered into an Interlocal Cooperation Agreement with Boyle County to share in the cost of a regional jail facility. The facility shall be owned by Boyle County and Mercer County agrees to pay a percentage, not below 35%, nor to exceed 50%, of the yearly costs in exchange for use of the facility for Mercer County prisoners.

MERCER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 1999, Mercer County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MERCER COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,767,389	\$ 1,300,234	\$ (467,155)
Road and Bridge Fund	797,426	840,573	43,147
Jail Fund	70,147	93,185	23,038
Local Government Economic Assistance Fund	34,928	41,491	6,563
Landfill Fund	42,700	45,638	2,938
Occupational License and Net Profit Tax Fund	1,404,485	1,662,049	257,564
CDBG Microenterprise Project Fund	50,000	42,621	(7,379)
Totals	<u>\$ 4,167,075</u>	<u>\$ 4,025,791</u>	<u>\$ (141,284)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,167,075
Add: Budgeted Prior Year Surplus			560,000
Less: Other Financing Uses			<u>(61,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,666,075</u>

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SCHEDULE OF OPERATING REVENUE

MERCER COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 569,173	\$ 569,173	\$	\$
Excess Fees - 1998	49,373	49,373		
County Clerk:				
Deed Transfer Tax	56,456	56,456		
Delinquent Taxes	11,200	11,200		
Excess Fees - 1998	145,000	145,000		
Tangible Personal Property Taxes:				
Other Counties	14,946	14,946		
County Clerk	81,213	81,213		
Occupational Employment Tax	1,627,529			
In Lieu of Taxes:				
Hitachi Corporation	11,690	11,690		
Totals	<u>\$ 2,566,580</u>	<u>\$ 939,051</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance Grant -				
Coordinator Salary	\$ 1,592	\$ 1,592	\$	\$
Snow Removal	11,187		11,187	
Community Development Block Grant- Microenterprise Project	42,621			
Housing and Urban Development- Disaster Recovery Initiative	6,374	6,374		
Totals	<u>\$ 61,774</u>	<u>\$ 7,966</u>	<u>\$ 11,187</u>	<u>\$ 0</u>

MERCER COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Landfill Fund	Occupational License and Net Profit Tax Fund	CDBG Microenterprise Project Fund
\$	\$	\$	\$
		1,627,529	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,627,529</u>	<u>\$ 0</u>
\$	\$	\$	\$
			42,621
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,621</u>

MERCER COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 48,747	\$	\$	\$ 48,747
Medical Allotments	3,800			3,800
Driving Under The Influence Fees	4,042			4,042
County Road Aid	522,024		522,024	
Municipal Road Aid	111,000		111,000	
Public Defender Allotment	18,649	18,649		
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	7,905	7,905		
Courthouse Rental - Administrative				
Office of the Courts	76,210	76,210		
Refunds:				
Legal Process Tax	130	130		
Dog Licenses	424	424		
Sheriff Bond Premium	245	245		
Severance Taxes:				
Coal	23,323			
Mineral	16,773			
Grants:				
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary	1,933	1,933		
Totals	\$ 996,654	\$ 105,496	\$ 794,473	\$ 56,589

MERCER COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Landfill Fund	Occupational License and Net Profit Tax Fund	CDBG Microenterprise Project Fund
<u> </u>	<u> </u>	<u> </u>	<u> </u>

\$	\$	\$	\$
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23,323
16,773

<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 40,096	\$ 0	\$ 0	\$ 0

MERCER COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 90,591	\$ 17,374	\$ 16,495	\$ 17,604
Circuit Court Clerk:				
Jail Cost	9,225			9,225
Work Release	7,452			7,452
Sinking Fund	1,369			1,369
Reimbursements-				
City of Harrodsburg-				
Disaster and Emergency				
Services	1,500	1,500		
Dog Warden	400	400		
Building Inspector	28,561	28,561		
Recycling Center	23,352			
Park Secretary	12,035	12,035		
Health Department	6,984	6,984		
Industrial Authority	8,134	8,134		
Insurance	6,618	4,337	2,281	
Ambulance Contract	37,321	37,321		
Charges for Services:				
Tire Collection	1,205			
Bluegrass Recycling	1,449			
Environmental Recycling	8,278			
Planning and Zoning Fees	32,077	32,077		
Enhanced 911	93,182	93,182		
Telephone Commission	634	634		
Transfer Station Fees	7,357			
Surplus Machinery/Equipment Sales	15,741		15,741	
Miscellaneous Items	7,318	5,182	396	946
Totals	\$ 400,783	\$ 247,721	\$ 34,913	\$ 36,596
Total Operating Revenue	\$ 4,025,791	\$ 1,300,234	\$ 840,573	\$ 93,185

MERCER COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

Local Government Economic Assistance Fund	Landfill Fund	Occupational License and Net Profit Tax Fund	CDBG Microenterprise Project Fund
\$ 1,395	\$ 3,203	\$ 34,520	\$
	23,352		
	1,205		
	1,449		
	8,278		
	7,357		
	794		
\$ 1,395	\$ 45,638	\$ 34,520	\$ 0
\$ 41,491	\$ 45,638	\$ 1,662,049	\$ 42,621

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MERCER COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 56,200	\$ 52,214	\$ 3,986
Office Materials and Supplies	6,500	6,018	482
New Office Equipment	2,500	884	1,616
Advertising	3,000	1,898	1,102
Office of County Attorney:			
Salaries-			
County Attorney	9,000	8,842	158
Secretaries	10,920	10,913	7
Office Lease	4,200	4,200	
Office of County Clerk:			
Fees	2,000	807	1,193
Tax Bill Preparation	9,000	6,636	2,364
Office of Sheriff:			
Deputies Salaries	34,500	29,120	5,380
Fees	6,560	6,555	5
Miscellaneous	5,500	4,759	741
Office of County Coroner:			
Salaries-			
County Coroner	5,600	5,485	115
Deputy Coroner	2,150	2,119	31
Autopsies	5,000	3,297	1,703
Office Supplies	3,500	2,174	1,326
Training and Conferences	1,000		1,000
Fiscal Court:			
Magistrates Salaries	29,000	28,289	711
Fiscal Court Clerk Salary	1,200	945	255

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 29,300	\$ 29,278	\$ 22
Office of Board of Assessment Appeals:			
Per Diem	1,500	400	1,100
Office of County Treasurer:			
Salaries-			
County Treasurer	29,500	29,488	12
Other Salaries	5,000	1,326	3,674
KATFO Dues	100	25	75
KACO Conference Training	300	190	110
Travel	200	155	45
Office of County Finance Director:			
Computer Consultant	1,000	635	365
Computer Software	2,000	160	1,840
Computer Supplies	2,000	464	1,536
Computer Hardware	2,000	1,238	762
County Law Library:			
Law Librarian Salary	700	686	14
Elections:			
Per Diem-			
Election Commissioners	2,500	1,450	1,050
Election Officers	16,000	12,360	3,640
Advertising	3,500	1,197	2,303
Polling Places Rent	300	240	60
Contracted Construction	2,000		2,000
Election Supplies and Materials	1,500	255	1,245
Printing	25,000	20,808	4,192
Miscellaneous	1,000	555	445

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Planning and Zoning:			
Salaries-			
Administrator	\$ 30,250	\$ 30,248	\$ 2
Secretary	7,000	5,746	1,254
Travel	250	13	237
Economic Development:			
Salaries	25,000	5,000	20,000
Contribution	15,000		15,000
Courthouse:			
Custodian	20,200	20,179	21
Utilities	30,000	22,227	7,773
Improvements or New Construction	36,750	36,620	130
Materials and Supplies	2,500	960	1,540
AOC Building Projects	200,000	2,904	197,096
Annex Building:			
Custodian Salary	4,900	4,838	62
Utilities	25,000	20,878	4,122
Maintenance and Improvements	15,000	10,330	4,670
Building Code Enforcement:			
Salaries	42,150	42,124	26
Office Supplies	1,250	1,128	122
Materials and Supplies	850	717	133
Training	1,400	1,267	133
Travel	2,200	2,127	73
New Office Equipment	1,000	754	246

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
Rescue Squad:			
Contributions-			
Mercer County	\$ 1,500	\$ 66	\$ 1,434
Burgin	3,155	3,123	32
Disaster and Emergency Services:			
Salary	8,960	8,951	9
Emergency Materials and Supplies	2,000	1,613	387
Motor Vehicle Repairs	500		500
Miscellaneous	1,600	1,528	72
Ambulance Service:			
Contract	84,510	84,500	10
Enhanced 911:			
Salaries	2,500	2,426	74
Equipment	65,000	4,540	60,460
Materials and Supplies	2,000	219	1,781
South Central Bell Services	40,000	38,648	1,352
Dispatch Service	25,000	18,730	6,270
Travel	500	409	91
Forest Fire Protection	750	604	146
Office of Public Defender:			
Contribution	2,400	2,394	6
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	35,750	35,653	97
Construction	45,000	38,459	6,541
Equipment	1,200	1,014	186
Uniforms	900	729	171

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Health and Sanitation</u> (Continued)			
Community Service Program:			
Supplies	\$ 800	\$ 609	\$ 191
Insurance	750	375	375
Public Water Districts:			
Contribution	100,000	100,000	
<u>Social Services</u>			
Service to Indigents:			
Contribution	1,000		1,000
Senior Citizens Program:			
Contribution	37,000	37,000	
Public Advocate Program:			
Legal Fees	29,000	18,649	10,351
Services to Children and Youth:			
Contributions-			
Court Appointed Special Advocate	2,000	2,000	
Development Center	2,000	2,000	
Project Graduation	300	300	
Cemeteries and Memorials:			
Pauper Burials	1,200	300	900
General Charity and Welfare:			
Court Order	3,000	180	2,820
Contributions-			
Heritage Hospice	1,500	1,500	
YWCA Spouse Abuse Center	1,000	1,000	
Ombudsman Agency	1,500	1,500	
Recordings and Court Costs	250		250

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Recreation and Culture</u>			
Parks:			
Anderson-Dean Park			
Salaries	\$ 16,850	\$ 16,848	\$ 2
Program Supplies	350,000		350,000
Shelter House	60,000	60,000	
Contribution	90,000	90,000	
Thomas Logan House	150,000		150,000
Insurance Reimbursement	5,000	4,078	922
Other Recreation Programs:			
YMCA	12,000	12,000	
Youth Soccer Program	2,000		2,000
Harrodsburg First Program	12,500	12,500	
Mercer County Youth Program	6,000	6,000	
Gateway to Harrodsburg	5,000	5,000	
Chamber of Commerce	2,500	2,500	
Fireworks Supplies	2,500	2,500	
Fort Harrod Drama	7,500	7,500	
Ragged Edge Community Theatre	5,000	5,000	
<u>Capital Projects</u>			
Interest on KACO Leasing Trust:			
Health Department	18,615	15,498	3,117
<u>Administration</u>			
General Services:			
Auditing Services	15,000	11,462	3,538
City Dispatcher	15,000	12,500	2,500
Insurance	94,530	94,528	2
Memberships-			
County Judge and Magistrates	1,700	1,580	120
KY Heritage RC and D	50	50	
Bluegrass Area Development	1,800	1,650	150
Kentucky Association of Counties	1,000	900	100
Miscellaneous	1,000	919	81

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
General Services: (Continued)			
Expense Allowance	\$ 3,000	\$ 1,443	\$ 1,557
Contingent Appropriations:			
Reserve for Transfers	32,470		32,470
Distributions to Other Governmental Agencies:			
Housing and Urban Development			
Disaster Recovery Initiative	3,000	2,987	13
Fringe Benefits:			
County Contributions-			
Social Security	67,200	67,056	144
Retirement	68,000	66,891	1,109
Life Insurance	10,000	8,261	1,739
Health Insurance	100,000	98,238	1,762
Dental Insurance	7,100	7,057	43
Worker's Compensation	50,000	30,599	19,401
Unemployment Insurance	2,500	1,889	611
Total Operating Budget	\$ 2,506,770	\$ 1,540,578	\$ 966,192
Other Financing Uses:			
*KACO Leasing Trust Agreement-			
Health Department	61,000	61,000	
Total General Fund	\$ 2,567,770	\$ 1,601,578	\$ 966,192

ROAD AND BRIDGE FUND

General Government

Fiscal Court:

Magistrates Expense Allowance	\$ 7,200	\$ 7,200	\$
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MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Transportation Facilities and Services</u>			
Road Facilities:			
Materials and Supplies	\$ 8,000	\$ 4,233	\$ 3,767
Other Services	13,875	13,830	45
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	30,000	28,450	1,550
Office Materials and Supplies	500	238	262
Maintenance and Repairs	4,000	2,114	1,886
Office of Service Director:			
Service Director Salary	14,150	14,112	38
Computer Software	500		500
Computer Supplies	500		500
Office Supplies	500	163	337
Road Maintenance:			
Salaries-			
Road Labor	250,000	239,900	10,100
Community Service Foreman	21,750	20,508	1,242
Temporary Personnel	1,000		1,000
Crushed Stone and Gravel	50,000	18,115	31,885
Gasoline	30,000	19,762	10,238
License and Physicals	500	105	395
New Road Machinery	154,600	138,678	15,922
Maintenance and Repairs	9,500	6,989	2,511
Materials	35,000	24,634	10,366
Motor Vehicle Parts	47,000	45,625	1,375
Radio Equipment	1,000	297	703
Signs	8,500	5,750	2,750
Travel	250		250
Utilities	10,000	8,353	1,647
Miscellaneous	750	650	100

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Capital Projects</u>			
Bridges:			
Construction and Maintenance	\$ 103,000	\$ 50,921	\$ 52,079
Streets and Highways:			
Contracted Construction	323,000	322,032	968
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	64,522		64,522
Fringe Benefits:			
County Contributions-			
Retirement	25,250	25,039	211
Social Security	25,000	23,453	1,547
Health Insurance	36,530	36,529	1
Dental Insurance	5,000	2,902	2,098
Total Road and Bridge Fund	\$ 1,281,377	\$ 1,060,582	\$ 220,795

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 32,700	\$ 32,539	\$ 161
Transportation Officer	29,500	28,757	743
Association Dues	100	50	50
Operations-			
Equipment	2,000	570	1,430
Equipment Repair	2,000	204	1,796
Gasoline	3,500	1,716	1,784
Indigent In House Arrest Program	2,000	868	1,132
Office Supplies	750	222	528

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Operations- (Continued)			
Juvenile Detention	\$ 10,000	\$ 7,185	\$ 2,815
Routine Medical	42,500	42,032	468
Staff Uniforms	3,000	731	2,269
Staff Training	2,000	584	1,416
Contracts With Other Counties	274,000	201,847	72,153
Contracts With Private Attendants	1,500		1,500
Revenue Payments- Boyle County	66,150	27,046	39,104
Other Contracted Services	52,000		52,000
Vehicles	30,000		30,000
Miscellaneous Operating Expense	300	126	174
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	22,800		22,800
Total Jail Fund	\$ 576,800	\$ 344,477	\$ 232,323
 LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
<u>Capital Projects</u>			
Streets and Highways:			
Contracted Construction	\$ 34,928	\$ 22,390	\$ 12,538
 LANDFILL FUND			
Maintenance and Grounds	\$ 22,500	\$ 20,120	\$ 2,380
Engineering Services	7,000	4,040	2,960
Dumpster Services	56,000	55,761	239
Miscellaneous	500		500
Other Capital Outlay	15,000	9,946	5,054
Solid Waste Coordinator Support	1,400	1,216	184

MERCER COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>LANDFILL FUND</u> (Continued)			
Recycling Center:			
Attendants Salaries	\$ 41,100	\$ 39,985	\$ 1,115
Maintenance and Improvements	2,500	319	2,181
Machinery and Equipment	1,500	278	1,222
Supplies and Materials	2,500	359	2,141
Dues	1,500	1,000	500
Utilities	3,500	2,839	661
Total Landfill Fund	<u>\$ 155,000</u>	<u>\$ 135,863</u>	<u>\$ 19,137</u>
<u>OCCUPATIONAL LICENSE AND NET PROFIT TAX FUND</u>			
County Tax Administrator Salary	\$ 20,500	\$ 18,492	\$ 2,008
Financial Advisory Services	4,000	3,659	341
Office Supplies	5,000	4,112	888
Refund Account	25,000	20,474	4,526
Conference and Travel	700	155	545
Reserve for Budget Transfers	6,000		6,000
Total Occupational License and Net Profit Tax Fund	<u>\$ 61,200</u>	<u>\$ 46,892</u>	<u>\$ 14,308</u>
<u>CDBG MICROENTERPRISE PROJECT FUND</u>			
Education Program-Small Business	\$ 45,000	\$ 41,350	\$ 3,650
Administration-Harrodsburg First	5,000	3,500	1,500
Total CDBG Microenterprise Project Fund	<u>\$ 50,000</u>	<u>\$ 44,850</u>	<u>\$ 5,150</u>
Total Operating Budget - All Funds	\$ 4,666,075	\$ 3,195,632	\$ 1,470,443
Other Financing Uses:			
*KACO Leasing Trust Agreement- Health Department	<u>61,000</u>	<u>61,000</u>	
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 4,727,075</u></u>	<u><u>\$ 3,256,632</u></u>	<u><u>\$ 1,470,443</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Charles H. McGinnis, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court

Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Mercer County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated April 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mercer County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mercer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Charles H. McGinnis, Mercer County Judge/Executive
Members of the Mercer County Fiscal Court
Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 10, 2000

COMMENT AND RECOMMENDATION

MERCER COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

The County Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On July 20, 1998, \$275,000, of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive and County Treasurer's Response:

The County Judge/Executive and the County Treasurer plan to meet with the appropriate officials of each financial institution to inform them of the absolute necessity of pledging securities for more than the maximum amount of funds the county has on deposit in their bank. We will also keep watch over this through the year. We will secure new Collateral Security Agreements with each financial institution where county funds are on deposit, as soon as possible.

PRIOR YEAR FINDINGS

The county's deposits were not adequately secured during the prior two fiscal years. In addition, the county did not have written agreements with its depository institutions.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MERCER COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MERCER COUNTY FISCAL COURT

The Mercer County Fiscal Court hereby certifies that assistance received from Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Charles H. McGinnis
County Judge/Executive



Gayle Horn
County Treasurer